



QUINSAM CAPITAL CORPORATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

(EXPRESSED IN CANADIAN DOLLARS)



Independent Auditor's Report

To the Shareholders of Quinsam Capital Corporation:

Opinion

We have audited the financial statements of Quinsam Capital Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2023 and December 31, 2022, and the statements of loss and other comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Private Investments

Key Audit Matter Description

As described in Note 5 in the consolidated financial statements, the Company held private investments ("Level 3 Investments") measured at a fair value totaling \$7,075,208. The Company applies valuation techniques which require assumptions and unobservable inputs to measure these investments.

Evaluating the Company's assessment of the fair value of Level 3 Investments required complex auditor judgement. Specifically, the key assumptions in the assessment are unobservable inputs, such as most recent transaction calibration, events/business development that impact the fair value change, and volatility of share price used to measure the fair value of the Level 3 Investments.

Audit Response

We responded to this matter by performing procedures over management's process in determining the fair value of the investments. Our audit work in relation to this included, but was not limited to, the following:

- Obtained and reviewed the documented valuation techniques and key inputs used by the Company in determining the fair values of Level 3 Investments.
- Obtained third-party confirmations from the management of Level 3 Investments to corroborate valuation assumptions made by the Company's management, including third-party financing raised during or subsequent to the year ended December 31, 2023, where applicable.
- Consulted internal valuation experts to evaluate the appropriateness of the valuation methods used by management, such as the black scholes option pricing model, as well as the appropriateness of the assumptions used in the valuation process, such as share price and volatilities.
- Where available, utilized financial statements of the investee companies/parent of the investee companies, and/or other publicly available financial information, as an input to a generally accepted valuation technique to corroborate the fair value determined by management.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jonathan Mac Neil.

MNP LLP

Toronto, Ontario
April 29, 2024

Chartered Professional Accountants
Licensed Public Accountants

Quinsam Capital Corporation

Statements of Financial Position
(Expressed in Canadian Dollars)

| | As at December 31, 2023 | As at December 31, 2022 |
|---|-------------------------------|-------------------------------|
| | \$ | \$ |
| Assets | | |
| Cash and cash equivalents | 1,179,172 | 855,369 |
| Receivables (Note 4) | 51,035 | 114,824 |
| Income tax recoverable | 31,440 | - |
| Investments (Note 5) | 11,137,675 | 13,884,307 |
| Total Assets | 12,399,322 | 14,854,500 |
| Liabilities | | |
| Accounts payable and accrued liabilities (Notes 6 and 10) | 158,350 | 135,505 |
| Income tax payable (Note 11) | - | 144,296 |
| Total Liabilities | 158,350 | 279,801 |
| Shareholders' Equity | | |
| Share capital (Note 7) | 18,460,009 | 19,119,106 |
| Deferred share units reserve (Note 8) | 648,271 | 643,645 |
| Share-based payments reserve (Note 9) | 395,568 | 390,024 |
| Accumulated deficit | (7,262,876) | (5,578,076) |
| Total Shareholders' Equity | 12,240,972 | 14,574,699 |
| Total Liabilities and Shareholders' Equity | 12,399,322 | 14,854,500 |

Nature of operations (Note 1)

Subsequent event (Note 15)

Approved on behalf of the Board of Directors

"Roger Dent" (Director)

"Eric Szustak" (Director)

The accompanying notes are an integral part of these financial statements

Quinsam Capital Corporation

Statements of Loss and Comprehensive Loss

For the Years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

| | 2023 | 2022 |
|---|--------------------|---------------------|
| | \$ | \$ |
| Net Investment Loss | | |
| Net realized loss on disposals of investments (Note 5) | (7,946,448) | (2,465,197) |
| Net unrealized gains (loss) on investments (Note 5) | 5,493,765 | (12,048,850) |
| | (2,452,683) | (14,514,047) |
| Other Income | | |
| Dividend, interest, advisory services, and other income | 554,659 | 924,393 |
| Expenses | | |
| Allowance for expected credit loss, net (Note 4) | 383,017 | 1,973,433 |
| Professional fees (Note 10) | 291,364 | 249,828 |
| Salaries and other employment benefits (Note 10) | 238,574 | 237,770 |
| General and administrative | 53,658 | 24,617 |
| Transfer agent and filing fees | 29,931 | 34,861 |
| Travel and promotional | 12,313 | 10,097 |
| Stock-based compensation (Notes 8,9 and 10) | 10,170 | 54,800 |
| Foreign exchange loss (gain) | 1,770 | (23,292) |
| | (1,020,797) | (2,562,114) |
| Net Loss Before Tax | (2,918,821) | (16,151,768) |
| Income tax recovery (Note 11) | 902,408 | 636,376 |
| Net Loss and Comprehensive Loss | (2,016,413) | (15,515,392) |
| Net Loss per Share | | |
| Basic and diluted (Note 7) | (0.02) | (0.16) |
| Weighted Average Number of Shares Outstanding | | |
| Basic and diluted (Note 7) | 97,339,090 | 99,079,607 |

The accompanying notes are an integral part of these financial statements

Quinsam Capital Corporation

Statements of Changes in Shareholders' Equity

For the Years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

| | Number of Shares | Share Capital | Deferred Share Units | Share-Based Payments | Retained Earnings/ (Accumulated Deficit) | Total |
|---|---------------------|-------------------|-------------------------|-------------------------|---|-------------------|
| | # | \$ | \$ | \$ | \$ | \$ |
| Balance, December 31, 2021 | 100,043,106 | 19,554,528 | 625,700 | 353,169 | 10,219,432 | 30,752,829 |
| Issuance of dividends | - | - | - | - | (495,293) | (495,293) |
| Repurchase of common shares (Note 7) | (2,227,000) | (435,422) | - | - | 213,177 | (222,245) |
| Stock-based compensation (Notes 8 and 9) | - | - | 17,945 | 36,855 | - | 54,800 |
| Net loss and comprehensive loss | - | - | - | - | (15,515,392) | (15,515,392) |
| Balance, December 31, 2022 | 97,816,106 | 19,119,106 | 643,645 | 390,024 | (5,578,076) | 14,574,699 |
| Issuance of dividends | - | - | - | - | (122,270) | (122,270) |
| Repurchase of common shares – cancelled (Note 7) | (1,025,000) | (200,408) | - | - | 136,466 | (63,942) |
| Repurchase of common shares – held in treasury to be cancelled (Note 7) | (2,346,000) | (458,689) | - | - | 317,416 | (141,272) |
| Stock-based compensation (Notes 8 and 9) | - | - | 4,626 | 5,544 | - | 10,170 |
| Net loss and comprehensive loss | - | - | - | - | (2,016,413) | (2,016,413) |
| Balance, December 31, 2023 | 94,445,106 | 18,460,009 | 648,271 | 395,568 | (7,262,876) | 12,240,972 |

The accompanying notes are an integral part of these financial statements

Quinsam Capital Corporation

Statements of Cash Flows

For the Years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

| | 2023 | 2022 |
|---|------------------|------------------|
| | \$ | \$ |
| Operating Activities | | |
| Net loss for the year | (2,016,413) | (15,515,392) |
| Adjustments for non-cash items: | | |
| Stock-based compensation (Notes 8 and 9) | 10,170 | 54,800 |
| Net realized loss on disposals of investments (Note 5) | 7,946,448 | 2,465,197 |
| Unrealized (gains) loss on investments (Note 5) | (5,493,765) | 12,048,850 |
| Interest (accrued) reversed on debenture investments | (321,013) | (500,855) |
| Other income received in shares and debentures | (30,362) | (10,842) |
| Allowance for expected credit loss, net (Notes 4 and 5) | 383,017 | 1,973,433 |
| Foreign exchange loss (gain) | 1,785 | (23,292) |
| Income tax recovery (Note 11) | (902,408) | (636,376) |
| | (422,541) | (144,477) |
| Changes in non-cash working capital: | | |
| Receivables | - | (417,352) |
| Income tax recoverable | (7,489) | - |
| Accounts payable and accrued liabilities (Note 6) | 22,845 | 26,380 |
| Income tax payable | 734,161 | (201,343) |
| | 749,517 | (592,315) |
| Net additions in investments | | |
| Purchases of investments | (857,194) | (405,796) |
| Proceeds on disposition of investments (Note 5) | 1,181,505 | 2,743,394 |
| Repayment on funds drawn from margin facility | - | (86,284) |
| | 324,311 | 2,251,314 |
| Cash Flows provided by Operating Activities | 651,287 | 1,514,522 |
| Financing Activities | | |
| Issuance of dividends | (122,270) | (495,293) |
| Repurchase of common shares (Note 7) | (205,214) | (222,245) |
| Cash Flows (used in) Financing Activities | (327,484) | (717,538) |
| Increase in cash and cash equivalents | 323,803 | 796,984 |
| Cash and cash equivalents, beginning of year | 855,369 | 58,385 |
| Cash and cash equivalents, end of year | 1,179,172 | 855,369 |

The accompanying notes are an integral part of these financial statements

Quinsam Capital Corporation

Notes to the Financial Statements

For the Years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

1. Nature of Operations

Quinsam Capital Corporation (“Quinsam” or the “Company”) was incorporated under the Canada Business Corporations Act on March 18, 2004 in the Province of British Columbia. The Company is an investment and merchant banking firm focused on the technology, healthcare, mining and exploration, e-sports, and cannabis markets. The Company’s common shares are listed on the Canadian Securities Exchange under the ticker symbol “QCA”.

The Company is domiciled in Canada and its registered and records office is located at 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

2. Basis of Preparation

(a) Statement of Compliance

The Company’s financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

These financial statements were reviewed, approved, and authorized for issuance by the Board of Directors (the “Board”) of the Company on April 23, 2024.

(b) Basis of Presentation

These financial statements have been prepared in accordance with IFRS accounting principles applicable to a going concern, using the historical cost basis except for the revaluation of investments. In addition, these financial statements have been prepared using the accrual basis of accounting.

(c) Basis of Consolidation

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are deconsolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiary after eliminating inter-entity balances and transactions.

The following are criteria within IFRS 10 – Consolidated Financial Statements, which the Company used to evaluate and determine that it continues to meet the definition of an Investment Entity:

- Obtain funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measures and evaluates the performance of substantially all its investments on a fair value basis.

The Company has evaluated the above criteria and determine that Quinsam meets the definition of an Investment Entity. High Standard Royalty Corp. (“High Standard”), the entity which Quinsam had acquired in 2017, is not itself an investment entity and whose main purpose and activities are providing services relating to the Company’s investment activities. As such, the Company had concluded that High Standard should be carried at fair value.

(d) Functional Currency

These financial statements have been prepared in Canadian dollars (\$), which is also the functional currency of the Company. The functional currency is the currency of the primary economic environment in which the Company operates.

Quinsam Capital Corporation

Notes to the Financial Statements

For the Years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

(e) Material Accounting Judgments and Estimates

The preparation of these financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Going concern

At each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing its performance, resources, and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management's strategic planning. The assumptions used in management's going concern assessment are derived from actual operating results along with industry and market trends. Management believes there is sufficient capital to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows, capital commitments, future financings and the Company's cash position at the year-end.

Fair value of investment in securities not quoted in an active market or private company investments

Where the fair values of financial assets recorded on the statements of financial position, including shares, options, warrants, convertible debentures and loans investments, cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, management's judgment is required to establish fair values.

Fair value of other instruments

Investments in options, warrants and conversion features of debentures that are not traded on a recognized securities exchange do not have readily available market values. When there are sufficient and reliable observable market inputs, a market-based valuation technique such as the Black-Scholes valuation model ("Black-Scholes") is used.

Valuation of share-based compensation and share purchase warrants

Management determines the costs for share-based compensation and share purchase warrants using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgments are used in applying the valuation techniques. These assumptions and judgments include estimating the future volatility of the share price, expected dividend yield, future employee turnover rates and future share option and share purchase warrant exercise behaviors and corporate performance. Such assumptions and judgments are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based compensation and share purchase warrants.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Quinsam Capital Corporation

Notes to the Financial Statements

For the Years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

(e) Material Accounting Judgments and Estimates (continued)

Expected credit losses on financial assets

Determining an allowance for expected credit losses (“ECLs”) for all debt financial assets not held at fair value through profit or loss (“FVTPL”) requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management’s judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest. For receivables, the Company applies the simplified approach as permitted by IFRS 9 – Financial Instruments (“IFRS 9”), whereby lifetime ECL are recognized based on aging characteristics and credit worthiness of customers and investee companies. Specific provisions may be used where there is information that a specific customer or investee company’s ECL has increased.

3. Material Accounting Policies

(a) Revenue

Realized gains (losses) on disposals of investments and unrealized gains (losses) on securities classified as FVTPL are reflected in the statements of loss and comprehensive loss on the transaction date and are calculated on an average cost basis. For all financial instruments measured at amortized cost and interest-bearing financial assets, interest income or expenses are recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gains or losses in the period of disposition.

Other investment income, include but is not limited to, interest from loans and debentures investments recognized on the accrual basis, and advisory and consulting services income which are recognized as services are performed, while dividend income is recognized on receipt. Investment income is considered operating income for cash flow purposes.

(b) Financial Instruments

The Company classifies and measures financial instruments in accordance with IFRS 9. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes financial assets and financial liabilities on the statements of financial position when it becomes a party to the financial instruments or derivative contract.

Classification

The Company classifies its financial assets in the following measurement categories: (a) those to be measured subsequently at FVTPL; (b) those to be measured subsequently at fair value through other comprehensive income (“FVTOCI”); and (c) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are recorded in profit or loss.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified. The Company’s financial assets include cash, investments, and receivables excluding any sales tax recoverable. The Company’s financial liabilities include its margin facility and accounts payable and accrued liabilities.

Quinsam Capital Corporation

Notes to the Financial Statements

For the Years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

3. Material Accounting Policies (continued)

(b) Financial Instruments (continued)

Classification (continued)

Fair value through profit or loss

This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category would also include debt instruments whose cash flow characteristics fail the solely principal and interest (“SPPI”) criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets and financial liabilities classified in this category are recorded at fair value with changes recognized in profit or loss.

Financial assets at fair value through other comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in FVTOCI instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at FVTOCI are initially measured at fair value and changes therein are recognized in other comprehensive income (loss).

As at December 31, 2023 and 2022, the Company did not have any financial assets at FVTOCI.

Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. Financial assets and financial liabilities classified in this category are measured at amortized cost using the effective interest method.

The Company’s classification of financial assets and financial liabilities is summarized below:

| | |
|--|----------------|
| Cash | Amortized cost |
| Receivables | Amortized cost |
| Investments | FVTPL |
| Accounts payable and accrued liabilities | Amortized cost |

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (loss) (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income (loss).

Expected credit loss impairment model

Under IFRS 9, the Company recognizes a provision for ECL on financial assets that are measured at amortized costs. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 to 180 days past due.

Quinsam Capital Corporation

Notes to the Financial Statements

For the Years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

3. Material Accounting Policies (continued)

(b) Financial Instruments (continued)

Expected credit loss impairment model (continued)

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Determination of fair value

The determination of fair value requires judgment and is based on market information, where available and appropriate. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At the end of each reporting period, management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements:

- i. Securities including shares, options and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted closing trade prices at the end of the reporting period or the closing trade price on the last day the security traded if there were no trades at the end of the reporting period. These are included in Level 1 of the fair value hierarchy (see Note 5).
- ii. For options, warrants and conversion features of debentures which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used. Valuation models such as Black-Scholes are used when there are sufficient and reliable observable market inputs. These market inputs include risk-free interest rate, exercise price, market price at the date of valuation, expected dividend yield, expected life of the instrument and expected volatility of the underlying security based on historical volatility. These are included in Level 2 of the fair value hierarchy (see Note 5).
- iii. Convertible debentures and loans issued by investee companies are generally valued at the price at which the instrument was issued. The Company regularly considers whether any indications of deterioration in the value of the underlying business exist, which suggests that the debt instrument will not be fully recovered. The fair value of convertible debentures is measured using valuation techniques such as Black-Scholes.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment and assumptions provided by management is required in establishing fair values. Judgments include consideration of inputs such as credit risk, discount rates, volatility, probability of certain triggering events, and share price of private company borrowers. Changes in assumptions relating to these factors could affect the reported fair value of the financial instruments. These are included in Level 3 of the fair value hierarchy (see Note 5).

Quinsam Capital Corporation

Notes to the Financial Statements

For the Years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

3. Material Accounting Policies (continued)

(b) Financial Instruments (continued)

Determination of fair value (continued)

Private company investments

All privately held investments (including options, warrants and conversion features) are initially recorded at the transaction price, being the fair value at the time of acquisition. At the end of each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more of the valuation indicators described below. These are included in Level 3 of the fair value hierarchy (see Note 5).

The determination of fair value of the Company's privately held investments at other than initial cost, is subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable.

The use of the valuation approaches described below may involve uncertainties and determinations based on management's judgment and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a privately held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will also consider trends in general market conditions and the share performance of comparable publicly traded companies when valuing privately held investments.

The fair value of a privately held investment may be adjusted if:

- i. There has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place.
- ii. There have been significant corporate, political, or operating events affecting the investee company that, in management's opinion, have a material impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable.
- iii. The investee company is placed into receivership or bankruptcy.
- iv. Based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern.
- v. Release by the investee company of positive/negative operational results; and
- vi. Important positive/negative management changes by the investee company that the Company's management believes will have a very positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

Adjustments to the fair value of a privately held investment will be based upon management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed.

In addition, the amounts at which the Company's privately held investments could be currently disposed of may differ from the carrying value assigned.

(c) Foreign Currency Translation

The Company invests from time to time on securities which are denominated in currencies other than Canadian dollars. On initial recognition, these investments are recorded by applying the foreign currency amount based on the spot exchange rate on the transaction date.

Quinsam Capital Corporation

Notes to the Financial Statements

For the Years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

3. Material Accounting Policies (continued)

(c) Foreign Currency Translation (continued)

At the end of each reporting period, the investments are translated to the functional currency using the closing spot exchange rate. The resulting gain or loss is recorded as part of the net unrealized gains (losses) for the period in the statements of loss and comprehensive loss.

(d) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

As at December 31, 2023 and 2022, the Company had no material provisions.

(e) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss), in which case the income tax is also recognized directly in equity or other comprehensive income (loss).

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the assets to be recovered.

(f) Share Capital

In situations where the Company issues units, the value of units is bifurcated and the value of warrants is included as a separate reserve for warrants of the Company's equity.

(g) Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

Quinsam Capital Corporation

Notes to the Financial Statements

For the Years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

3. Material Accounting Policies (continued)

(h) Share-Based Payments Transactions

The Company operates a stock option plan (the “Option Plan”), which is administered by the Board. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received, or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The grant date fair value of options is determined using Black–Scholes. The fair value of equity-settled share-based payments transactions is recognized as an expense with a corresponding increase in share-based payments reserve.

The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

For options that expire after vesting, the recorded value is transferred to accumulated deficit. Expired warrants are also transferred to accumulated deficit.

The Company also operates a deferred share unit plan (the “DSU Plan”). DSUs are equity-settled share-based payments and are measured at fair value on the date of grant, based on the closing price of the Company’s common shares on the grant date. Share-based compensation is recognized over the vesting period with a corresponding credit to deferred share unit reserve. Under IFRS, the Company’s DSUs are classified as equity-settled share-based payment transactions as they are settled in common shares at the sole discretion of the Company.

(i) Basic and Diluted Loss per Share

Basic loss per share is calculated by dividing the net loss attributable to common shareholders by the weighted average number of common shares outstanding in the period, adjusted for shares held in escrow that are subject to contingent release based on conditions other than the passage of time. For all periods presented, the net loss attributable to common shareholders equals the reported loss attributable to owners of the Company.

Diluted loss is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. When a loss is incurred during a period, basic and diluted loss per share is the same because the exercise of share equivalents is then considered to be “anti-dilutive”.

(j) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(k) New Accounting Standards

The Company adopted the following amendments, effective January 1, 2023. These changes were made in accordance with the applicable transitional provisions. The Company had assessed that there was no material impact upon the adoption of the amendments on its financial statements.

Amendments to IAS 1 Presentation of Financial Statements (“IAS 1”) and IFRS Practice Statement 2 Making Materiality Judgements

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (“CPA Canada Handbook – AcSB”) in June 2021.

Quinsam Capital Corporation

Notes to the Financial Statements

For the Years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

3. Material Accounting Policies (continued)

(k) New Accounting Standards (continued)

The amendments help entities provide accounting policy disclosures that are more useful to primary users of financial statements by:

- Replacing the requirement to disclose “significant” accounting policies under IAS 1 with a requirement to disclose “material” accounting policies. Under this, an accounting policy would be material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that primary users of general purpose financial statements make on the basis of those financial statements; and
- Providing guidance in IFRS Practice Statement 2 to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

Amendments to IAS 12 – Income Taxes (“IAS 12”)

In May 2021, the IASB issued amendments to the recognition exemptions under IAS 12 which were incorporated into Part I of the CPA Canada Handbook – AcSB in September 2021. The amendments narrowed the scope of the recognition exemption to require an entity to recognize deferred tax on initial recognition of particular transactions, to the extent that transaction gives rise to equal taxable and deductible temporary differences. These amendments apply to transactions for which an entity recognizes both an asset and liability, for example leases and decommissioning liabilities.

(l) Recent Accounting Pronouncements

At the date of authorization of these financial statements, the IASB and the International Financial Reporting Interpretations Committee have issued the following amendments which are effective for annual periods beginning on or after January 1, 2024. The Company is currently assessing the impact upon the adoption of the following amendments on its financial statements:

Amendments to IFRS 7 – Financial Instruments: Disclosures (“IFRS 7”) and IAS 7 – Statements of Cash Flows (“IAS 7”)

In May 2023, the IASB issued disclosure-only amendments to IFRS 7 and IAS 7. The amendments require entities to disclose sufficient information necessary for users of financial statements to understand the effects of supplier finance arrangements on an entity’s liabilities and cash flows, as well as on its liquidity risk and risk management.

4. Receivables

| | December 31, 2023 | December 31, 2022 |
|--------------------------|----------------------|----------------------|
| Interest receivable | \$ 51,025 | \$ 114,814 |
| Other receivables | 10 | 10 |
| Total receivables | 51,035 | 114,824 |

Interest receivable

As at December 31, 2023, the Company had accrued interest income of \$51,025 (December 31, 2022 – \$114,814), from its convertible debentures and loan investments.

Allowance for ECL

During the year ended December 31, 2023, the Company held certain debt investments of investee companies of which management had assessed that there was a low probability of collection, and accordingly, recorded an allowance for ECL of \$383,017 (2022 – \$1,973,433) on interest accrued on convertible debentures and loan investments.

Quinsam Capital Corporation

Notes to the Financial Statements

For the Years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

4. Receivables (continued)

Allowance for ECL (continued)

The accumulated allowance for ECL as at December 31, 2023 and 2022 as determined under IFRS 9 was as follows:

| | Interest accrued from Investee Companies | Receivable from Investee Companies | Total |
|-------------------------------|--|--|-----------|
| | \$ | \$ | \$ |
| ECL, December 31, 2021 | - | 55,000 | 55,000 |
| Additional allowance for ECL | 1,973,433 | - | 1,973,433 |
| ECL, December 31, 2022 | 1,973,433 | 55,000 | 2,028,433 |
| Additional allowance for ECL | 383,017 | - | 383,017 |
| ECL, December 31, 2023 | 2,356,450 | 55,000 | 2,411,450 |

5. Investments

The Company's investments portfolio consisted of the following securities as at December 31, 2023:

| Investments | Cost | Fair Value | | | Total fair value |
|--------------------------|-------------------|------------------|----------------|------------------|-------------------|
| | | Level 1 | Level 2 | Level 3 | |
| | \$ | \$ | \$ | \$ | \$ |
| Equities | 13,532,068 | 3,624,232 | - | 5,411,970 | 9,036,202 |
| Warrants | 1,110,173 | 14,750 | 188,508 | 163,238 | 366,496 |
| Convertible debentures | 2,394,118 | 46,250 | 188,727 | - | 234,977 |
| Loans | 2,013,796 | - | - | 1,500,000 | 1,500,000 |
| Total investments | 19,050,155 | 3,685,232 | 377,235 | 7,075,208 | 11,137,675 |

The Company's investments portfolio consisted of the following securities as at December 31, 2022:

| Investments | Cost | Fair Value | | | Total fair value |
|--------------------------|-------------------|------------------|------------------|------------------|-------------------|
| | | Level 1 | Level 2 | Level 3 | |
| | \$ | \$ | \$ | \$ | \$ |
| Equities | 16,779,556 | 4,105,880 | - | 6,024,009 | 10,129,889 |
| Warrants | 2,200,316 | 79,470 | 188,095 | 185,703 | 453,268 |
| Convertible debentures | 3,301,730 | 252,617 | 448,248 | 436,489 | 1,137,354 |
| Loans | 5,008,949 | - | 405,000 | 1,758,796 | 2,163,796 |
| Total investments | 27,290,551 | 4,437,967 | 1,041,343 | 8,404,997 | 13,884,307 |

Level 3 fair value hierarchy

The following table presents the changes in fair value measurements classified at Level 3 of the fair value hierarchy. The financial instruments are measured at fair value utilizing non-observable market inputs. The net realized loss on disposals of investments and the net change in unrealized loss on investments are recognized in the statements of loss and comprehensive loss.

| | Opening balance | Purchases / loans | Transfers to Level 1 and 2 | Proceeds | Net realized loss | Net unrealized gains (loss) | Ending balance |
|-------------------|--------------------|----------------------|-------------------------------|-------------|-------------------------|-----------------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| December 31, 2023 | 8,404,997 | 343,480 | (400,000) | (67,500) | (3,989,045) | 2,783,276 | 7,075,208 |
| December 31, 2022 | 15,092,964 | 375,796 | (639,594) | (1,436,853) | (1,009,957) | (3,977,359) | 8,404,997 |

Quinsam Capital Corporation

Notes to the Financial Statements

For the Years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

5. Investments (continued)

Level 3 fair value hierarchy (continued)

Within Level 3, the Company included private company investments and other investment instruments such as convertible debentures and loans which are not quoted on a recognized securities exchange. The key assumptions used in the valuation of these instruments include, but are not limited to, the value at which a recent financing was done by the investee company, company-specific information, trends in general market conditions and the share performance of comparable publicly traded companies.

When a private company investment changes its status to a publicly-listed investment which meets Level 1 or Level 2 criteria, the investment is transferred out of the Level 3 fair value hierarchy. A transfer is recorded upon the occurrence of a liquidity transaction for an investee company, which includes, but is not limited to, a business combination between the entity and a public corporation pursuant to a reverse takeover, merger, amalgamation, arrangement, take-over bid, or an initial public offering of the entity. The transfers are recorded on the date that such a liquidity transaction is completed.

The following table presents the valuation techniques and the nature of significant inputs used to determine the fair values of the Level 3 investments as at December 31, 2023:

| | Total fair value | Method | Unobservable inputs | Range of inputs |
|------------------------|-------------------------|--|---|---|
| | \$ | | | |
| Equities | 5,411,970 | Transaction price, indexing per industry benchmark | Recent purchase price. | N/A |
| Warrants | 163,238 | Black-Scholes | Market prices, volatility, risk-free interest rate. | 42% – 235% volatility |
| Convertible debentures | - | Black-Scholes | Market prices, volatility, discount rate. | 100% – 235% volatility, 22.0% discount rate |
| Loans | 1,500,000 | Discounted cash flows | Discount rate. | 10% – 18% |
| | 7,075,208 | | | |

Within Level 3 of the fair value hierarchy, for those investments valued based on recent financings, management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at December 31, 2023 and 2022. For those investments valued based on trends in comparable publicly traded companies and general market conditions, the inputs can be highly judgmental. A 10% change in the fair value of these investments would result in a corresponding change of approximately +/- \$707,500 (December 31, 2022 +/- \$840,500) change to the fair value of the investments. The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate the probability of such changes occurring, and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments.

6. Accounts Payable and Accrued Liabilities

| | December 31, 2023 | December 31, 2022 |
|---|--------------------------|--------------------------|
| | \$ | \$ |
| Trade payables | 67,428 | 14,302 |
| Accrued liabilities | 90,922 | 121,203 |
| Total accounts payable and accrued liabilities | 158,350 | 135,505 |

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding incurred in the normal course of business. The Company's standard term for trade payable is 30 to 60 days.

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Notes to the Financial Statements

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7. Share Capital

Authorized share capital

The Company is authorized to issue an unlimited number of common shares and preferred shares without par value. The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series. The Company has not issued any preferred shares to date.

Common shares issued and outstanding as at December 31, 2023 and 2022 are as follows:

| | Number of common shares | Amount |
|---|----------------------------|-------------------|
| | # | \$ |
| Balance, December 31, 2021 | 100,043,106 | 19,554,528 |
| Shares repurchased and cancelled | (2,227,000) | (435,422) |
| Balance, December 31, 2022 | 97,816,106 | 19,119,106 |
| Shares repurchased and cancelled | (1,025,000) | (200,408) |
| Shares held in treasury to be cancelled | (2,346,000) | (458,689) |
| Balance, December 31, 2023 | 94,445,106 | 18,460,009 |

Share capital transactions for the year ended December 31, 2022

During the year ended December 31, 2022, a total of 2,227,000 common shares of the Company repurchased at a cost of \$222,245 a normal course issuer bid (the "Bid"), were cancelled and returned to treasury.

Share capital transactions for the year ended December 31, 2023

During the year ended December 31, 2023, a total of 1,025,000 common shares of the Company repurchased at a cost of \$98,595 under a new Bid, were cancelled and returned to treasury.

As at December 31, 2023, the Company had also repurchased an additional 2,346,000 common shares at a total cost of \$106,619 under a new Bid. These shares were cancelled and returned to treasury subsequent to year-end.

Basic and diluted loss per share

The calculations of basic and diluted loss for the year ended December 31, 2023 were based on the net loss from operations attributable to common shareholders of \$2,016,413 (2022 – net loss of \$15,515,392) and the weighted average number of basic and diluted common shares outstanding of 97,339,090 (2022 – 99,079,607 basic and diluted common shares, respectively).

The details of the computation of basic and diluted loss per share for the years ended December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|--|--------------------|---------------------|
| | \$ | \$ |
| Net Loss and Comprehensive Loss | (2,016,413) | (15,515,392) |
| | # | # |
| Basic weighted-average number of shares outstanding | 97,339,090 | 99,079,607 |
| Assumed conversion of anti-dilutive stock options and warrants | - | - |
| Diluted weighted-average number of shares outstanding | 97,339,090 | 99,079,607 |
| | \$ | \$ |
| Basic and diluted loss per share | (0.02) | (0.16) |

Quinsam Capital Corporation

Notes to the Financial Statements

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(Expressed in Canadian Dollars)

8. Deferred Share Units Reserve

The Company operates a deferred share unit plan (the “DSU Plan”), under which, one DSU is equivalent in value to one common share of the Company. The maximum number of shares that are issuable under the DSU Plan, and in combination with all other equity incentive plans at any time, shall not exceed 10% of the issued and outstanding common shares of the Company. The maximum number of shares issuable to insiders under the DSU Plan, at any time, shall not exceed 10% of the issued common shares, and the maximum number of DSUs which may be granted to any one person under the DSU Plan, in any 12-month period, shall not exceed 5% of the issued common shares calculated on the grant date of such DSU.

Any vesting conditions for DSUs are determined by the Compensation and Corporate Governance Committee of the Board of the Company. Notwithstanding any other provision of the DSU Plan, the Board may in its sole discretion accelerate and/or waive any vesting or other conditions for all or any DSUs for any participant at any time.

All DSUs credited under the DSU Plan shall remain in the DSU accounts and shall be settled or forfeited in accordance with the terms of the DSU Plan. Whenever cash dividends or distributions are paid on the common shares of the Company, additional DSUs will be credited to a participant’s DSU account. The number of such additional DSUs will be calculated by multiplying the per share dividend rate by the number of DSUs held at that time in the participant’s DSU account.

During the year ended December 31, 2023, the Company granted an additional 66,094 DSUs (2022 – 172,376 DSUs) to certain of its officers, upon distribution of its quarterly dividends. These DSUs were valued at \$4,626 (2022 – \$17,945) and were recorded as stock-based compensation.

As at December 31, 2023, the Company had granted a total of 3,767,338 DSUs (December 31, 2022 – 3,701,244 units) under the DSU Plan.

9. Share-Based Payments Reserve

The Company maintains a stock option plan (the “Option Plan”), whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that are issuable under the Option Plan is limited to 10% of the number of outstanding common shares. As at December 31, 2023, the Company had 4,739,111 common shares that are issuable under the Option Plan.

Under the Option Plan, the exercise price of each option may not be less than the market price of the Company’s stock as calculated on the date of grant less an applicable discount. Options can be granted for a maximum term of five years and vesting periods are determined by the Board.

The following summarizes the stock option activity for the years ended December 31, 2023 and 2022:

| | 2023 | | 2022 | |
|--------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| | # | \$ | # | \$ |
| Outstanding, beginning of year | 4,940,000 | 0.16 | 4,740,000 | 0.16 |
| Granted | - | - | 200,000 | 0.10 |
| Outstanding, end of year | 4,940,000 | 0.16 | 4,940,000 | 0.16 |
| Exercisable, end of year | 4,940,000 | 0.16 | 4,315,000 | 0.16 |

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9. Share-Based Payments Reserve (continued)

Option activities for the year ended December 31, 2022

On May 31, 2022, the Company granted 200,000 stock options to a director. The options are exercisable at \$0.10 per share and vested immediately on grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 87.3% based on the historical volatility of the Company, expected dividend yield of 4.76%, risk-free interest rate of 2.72%, estimated forfeiture rate of 20%, and an expected life of five years. The grant date fair value attributable to these vested options of \$8,780 was recorded as stock-based compensation during the year ended December 31, 2022.

During the year ended December 31, 2023, the Company also recorded stock-based compensation of \$5,544 (2022 – \$28,075) in connection with the vesting of options which were granted prior to the last fiscal year.

The following table summarizes information of stock options outstanding and exercisable as at December 31, 2023:

| Date of expiry | Number of options outstanding | Number of options exercisable | Weighted average exercise price | Weighted average remaining contractual life |
|-----------------------|--------------------------------------|--------------------------------------|--|--|
| | # | # | \$ | Years |
| August 25, 2025 | 2,500,000 | 2,500,000 | 0.13 | 1.65 |
| May 31, 2026 | 2,240,000 | 2,240,000 | 0.19 | 2.42 |
| May 31, 2027 | 200,000 | 200,000 | 0.10 | 3.42 |
| | 4,940,000 | 4,940,000 | 0.16 | 2.07 |

10. Related Party Transactions and Balances

In accordance with IAS 24 – Related Party Disclosures, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the compensation committee of the Board.

The remuneration of directors and other members of key management personnel during the years ended December 31, 2023 and 2022 were as follows:

| | 2023 | 2022 |
|--|----------------|----------------|
| | \$ | \$ |
| Salaries, and other benefits | 238,574 | 237,770 |
| Professional fees | 108,480 | 108,480 |
| Stock-based compensation (Notes 8 and 9) | 10,170 | 54,800 |
| | 357,224 | 401,050 |

During the year ended December 31, 2023, officers and directors of the Company were paid compensation benefits of \$238,574 for services rendered (2022 – \$237,770), which was charged to salaries, and other benefits. As at December 31, 2023, no payroll balance was owed to any officers and directors (December 31, 2022 – \$nil).

During the year ended December 31, 2023, Branson Corporate Services Ltd. (“Branson”), where the Chief Financial Officer (“CFO”) of the Company is employed, charged professional fees of \$108,480 (2023 – \$108,480), for CFO services provided to the Company, as well as other accounting and administrative services, which are included in professional fees. As at December 31, 2023, no balance was owed to Branson (December 31, 2022 – \$9,040, included in accounts payable and accrued liabilities).

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10. Related Party Transactions and Balances (continued)

During the year ended December 31, 2023, the Chief Executive Officer (the “CEO”) and the Chairman of the Company, were issued 63,525 and 2,569 DSUs (2022 – 165,676 and 6,700 DSUs), respectively, upon distribution of the cash dividends paid (see Note 8), as adjustments in accordance with the terms of the DSU Plan. These DSUs were valued at \$4,626 (2022 – \$17,945) and were recorded as stock-based compensation.

During the year ended December 31, 2023, officers and directors of the Company also received stock-based compensation of \$5,544 (2022 – \$36,855) on vesting of options granted.

Investments in companies with common insiders

As at December 31, 2023, the Company held investment positions in the following issuers with common officers and directors:

| | Investments | Holdings # | Fair Value \$ |
|---|---------------|------------------|------------------|
| Atikokan Resources Inc. ⁽¹⁾ | Common shares | 1,000,000 shares | 27,800 |
| Atikokan Resources Inc. ⁽¹⁾ | Warrants | 500,000 units | - |
| California Nanotechnologies Corp. ⁽²⁾ | Common shares | 1,712,000 shares | 419,440 |
| California Nanotechnologies Corp. ⁽²⁾ | Warrants | 300,000 units | 15,293 |
| Deveron Corp. ⁽²⁾ | Common shares | 500,000 shares | 92,500 |
| Nevada Organic Phosphate Inc. ^{(3), (4)} | Common shares | 4,200,000 shares | 126,000 |
| Nevada Organic Phosphate Inc. ^{(3), (4)} | Warrants | 4,200,000 units | 13,560 |
| Vitalhub Corp. ⁽²⁾ | Common shares | 84,000 shares | 342,720 |
| | | | 1,037,313 |

(1) *Anthony Roodenburg (Director) is a Director of Atikokan Resources Inc.*

(2) *Roger Dent (CEO) is a Director of California Nanotechnologies Inc., Deveron Corp. and Vitalhub Corp.*

(3) *Eric Szustak (Chairman) is a Director of Nevada Organic Phosphate Inc.*

(4) *Keith Li (CFO) is an Officer of Nevada Organic Phosphate Inc.*

11. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2022 – 26.5%) to the effective tax rate as follows:

| | December 31, 2023 | December 31, 2022 |
|---|----------------------|----------------------|
| | \$ | \$ |
| Net loss before income taxes | (2,918,821) | (16,151,768) |
| Expected income tax recovery | (773,488) | (4,280,219) |
| Unrealized loss on investments | (640,064) | 1,510,462 |
| Non-deductible accounting realized loss | 1,021,328 | - |
| Stock-based compensation and other non-deductible differences | 2,784 | 44,696 |
| reversal of tax liability booked in 2018 | (902,408) | - |
| Change in tax benefits not recognized | 389,440 | 2,088,685 |
| Income tax recovery | (902,408) | (636,376) |

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11. Income Taxes (continued)

Income taxes

The Company's income tax recovery is allocated as follows:

| | December 31, 2023 | December 31, 2022 |
|---------------------------------|----------------------|----------------------|
| | \$ | \$ |
| Current tax recovery | (902,408) | (636,376) |
| Deferred tax expense (recovery) | - | - |
| | (902,408) | (636,376) |

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

| | December 31, 2023 | December 31, 2022 |
|--------------------------------------|----------------------|----------------------|
| | \$ | \$ |
| Marketable securities | 7,840,771 | 13,334,535 |
| Operating tax losses carried forward | 2,871,278 | 1,857,434 |
| Capital losses carried forward | 7,708,138 | - |
| | 18,420,187 | 15,191,969 |

The Canadian operating tax loss carry forwards expire as noted in the table below.

The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

| | \$ |
|------|------------------|
| 2038 | 20,010 |
| 2039 | 1,627 |
| 2040 | 1,130 |
| 2041 | - |
| 2042 | 2,154,567 |
| 2043 | 693,944 |
| | 2,871,278 |

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12. Risk Management

The Company's financial instruments consist primarily of cash and cash equivalents, receivables, investments, and accounts payable and accrued liabilities. The Company is exposed to various risks as it relates to these financial instruments. Management, in conjunction with the Board, mitigates these risks by assessing, monitoring and approving the Company's risk management process. There have not been any changes in the nature of these risks or the process of managing these risks from the previous reporting periods.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, and receivables (including loans), which expose the Company to credit risk should the borrower default on the maturity of the instruments. Cash and cash equivalents are currently held with several reputable Canadian financial institutions, which are available on demand. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents is minimal.

The Company's second exposure to credit risk is on receivables. At each reporting period, management assesses the credit risk of its receivables. Where collection risk may exist, the Company may record an allowance for ECL. During the year ended December 31, 2023, an allowance for ECL of \$383,017 (2022 – \$1,973,433) was recorded on interest accrued on convertible debentures and loan investments.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from disposal of its investment holdings.

As at December 31, 2023, the Company had a cash and cash equivalents balance of \$1,179,172 (December 31, 2022 – \$855,369), and Level 1 investments in shares of \$3,624,232 (December 31, 2022 – \$4,105,880) which it can liquidate, to settle current liabilities of \$158,350 (December 31, 2022 – \$279,801).

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as at December 31, 2023:

| | Carrying amount | Year 1 | Year 2 to 3 | Year 4 to 5 |
|------------------|--------------------|---------|-------------|-------------|
| | \$ | \$ | \$ | \$ |
| Accounts payable | 158,350 | 158,350 | - | - |

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecasts and actual cash flows for a rolling period of 12 months to identify financial requirements. Where insufficient liquidity may exist, the Company may dispose of certain of its investments for cash or pursue various debt and equity instruments for short or long-term financing of its operations.

Management believes there is sufficient capital to meet short-term business obligations, after taking into account cash flow requirements from operations and the Company's cash and cash equivalents and Level 1 shares investments position as at December 31, 2023.

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12. Risk Management (continued)

Foreign exchange risk

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company invests from time to time into securities, debentures and loan investments issued and denominated in foreign currencies, notably in United States dollars. The Company's primary exposure to foreign exchange risk is that investments in foreign securities may expose the Company to the risk of exchange rate fluctuations. Due to the small number of investments issued and denominated in foreign currencies, management believes that the foreign exchange risk with respect to investments is low.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in the market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The fair value of the Company's convertible debentures and loan investments affected by changes in short-term interest rates will be minimal. The Company does not use any derivative instruments to reduce its exposure to interest rate risk.

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavorable market conditions could result in disposal of investments at less than favorable prices. A 1% change in the closing trade price of the Company's investments portfolio would impact net loss by approximately \$111,400 based upon balances as at December 31, 2023.

Concentration risk

Concentration risk is the potential for a loss in value of the Company's investments portfolio when an individual or group of exposures move together in an unfavorable direction. The Company is exposed to concentration risk as its investments portfolio is focused on a few small cap sectors, notably investee companies from the cannabis markets. The potential lack of diversification and a downturn in a particular industry could result in decreases in the fair value of the investments portfolio. As at December 31, 2023, cannabis-related investments accounted for approximately 39% of the Company's investments portion (December 31, 2022 – 49%). The Company manages concentration risk by regularly reviewing threshold of industry holdings and rebalancing its portfolio when needed. The Company also incorporates diversification across investments from different industries.

Other risks

The Company may from time to time be subject to risks which are beyond its control, such as the 2021–2022 Russo-Ukrainian crisis and the 2023 Israel-Hamas conflict, which have spurred a rally in precious metal prices including gold and silver, of which both are minerals that certain investee companies in the Company's investments portfolio are exploring for. The Company manages such risks by regularly rebalancing its portfolio when needed. The Company also assesses potential regulatory and geo-political risks of the business location of potential investee companies in its selection process.

13. Capital Management

The Company manages its capital, consisting of shareholders' equity, in a manner consistent with the risk characteristics of the assets it holds.

The Company's objectives when managing capital are:

- (a) to maintain sufficient liquidity to allow the Company to pursue business opportunities expeditiously; and
- (b) to earn investment returns while managing risk.

Quinsam Capital Corporation

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13. Capital Management (continued)

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential investments and acquisitions. Management reviews its capital management approach on an on-going basis and believes that this approach, given the small size of the Company, is reasonable.

There were no changes in its approach to capital management during the years ended December 31, 2023 and 2022.

The Company is not subject to externally imposed capital requirements.

14. Operating Segment Information

Management is responsible for the Company's entire investments portfolio and considers the business to have a single operating segment. The management's investment decisions are based on a single, integrated investment strategy, and the performance is evaluated on an overall basis. The Company has a single reportable geographic segment, Canada, and all of the Company's management are based in Canada.

The internal reporting provided to management of the Company's assets, liabilities, and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segment during the years ended December 31, 2023 and 2022.

15. Subsequent Event

On January 10, 2024, 2,346,000 common shares that the Company had repurchased for \$141,273 were cancelled and returned to treasury.